VMS RESOLUTION

REPEAL OF MEDICARE'S SUSTAINABLE GROWTH RATE REIMBURSEMENT FORMULA

Adopted at 191st VMS Annual Meeting, October 23, 2004

W hereas, Medicare pays for services provided by physicians and numerous other health care professionals on the basis of a payment formula that is updated annually in accordance with a sustainable growth rate (SGR); and

W hereas, Physicians are penalized with lower payments when utilization of services exceeds the SGR spending target, yet, according to CBO, recent increases in Medicare utilization are due to: “increased enrollment, development and diffusion of new medical technology” and “legislative and administrative” program expansions -- factors that are often beyond physicians’ control; and

W hereas, Payments under the SGR formula are tied to the gross domestic product which bears no relationship to patients’ health care needs or physicians practice costs; and

W hereas, The flaws in the SGR formula led to a 5.4% physician payment cut in 2002; and

W hereas, An additional 4.5% Medicare physician pay cut for 2004 and another severe cut in 2005 were averted only after Congress intervened with a modest 1.5% positive update in each of these years; and

W hereas, The Medicare Trustees have projected that physicians and other health professionals face pay cuts of 5% a year from 2006 through 2012; and

W hereas, The result, according to 2004 Annual Report of the Medicare Board of Trustees, is a cumulative reduction of more than 31 percent in physician payment rates 2005 through 2012, while medical practice costs (MEI) during that time frame are expected to increase by 19 percent; and

W hereas, The Medicare Payment Advisory Commission (MedPAC) has recommended that the SGR be replaced with a system where updates are based on an assessment of increases in practice costs, adequacy of payment rates, and beneficiaries’ access to care; and

W hereas, In 2000, Vermont received the lowest Medicare payments per beneficiary of any state -- while at the same time it received the country’s second highest health quality ranking for Medicare beneficiaries; and

W hereas, A physician access crisis is looming for Vermont’s Medicare patients unless action is taken to enact a long-term solution to the current SGR physician payment formula; therefore be it
Resolved, That the Vermont Medical Society urges our Congressional delegation to enact legislation blocking Medicare physician reimbursement reductions from 2005 through 2012; and be it further

Resolved, That the Vermont Medical Society urges our Congressional delegation to enact legislation repealing Medicare's sustainable growth rate reimbursement formula and replacing it with a system where updates are based on an assessment of increases in practice costs, adequacy of payment rates, and beneficiaries' access to care; and be it further

Resolved, That the Vermont Medical Society urges the American Medical Association to make the reform of Medicare's physician reimbursement system one of its highest legislative priorities.